

Message Text

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ORIGIN EB-08

INFO OCT-01 AF-10 EUR-12 IO-13 ISO-00 DLOS-09 SIG-03
GSA-02 ACDA-12 AGRE-00 AID-05 CEA-01 CEQ-01 CG-00
CIAE-00 COME-00 DODE-00 DOTE-00 EPA-01 SOE-02
DOE-15 FMC-01 TRSE-00 H-01 INR-10 INT-05 JUSE-00
L-03 NSAE-00 NSC-05 NSF-01 OES-07 OMB-01 PA-01
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TO AMEMBASSY BRUSSELS
INFO AMEMBASSY PARIS
AMEMBASSY LONDON
AMEMBASSY KINSHASA
USMISSION USUN NEW YORK
USMISSION GENEVA

C O N F I D E N T I A L STATE 074955

ALSO FOR USEEC FOR INFO; GENEVA FOR USDEL LOS

E.O. 11652: GDS

TAGS: EMIN, PLOS, BE, Z

SUBJECT: LOS: POSSIBLE APPROACH TO ZAIRE

REF: BRUSSELS 4932

1. SEABED MINING, EVEN IN ITS BEGINNING STAGES IN THE LATE
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1980'S, WILL PRODUCE LARGE QUANTITIES OF COBALT WHICH WILL
INEVITABLY DEPRESS WORLD PRICES. ZAIRE COULD LOSE SOME OF
ITS COBALT MARKETS UNTIL SUBSTITUTION EFFECTS AND NEW USES
EXPAND THE MARKET SIGNIFICANTLY. WE WOULD OPPOSE EFFORTS
TO SUPPORT THE PRICE OF COBALT UNDER THESE CIRCUMSTANCES,
BUT WE HAVE RECOGNIZED THE NEED FOR ADJUSTMENT ASSISTANCE
TO LAND-BASED PRODUCERS WHOSE EXPORT REVENUES ARE SERIOUSLY

AFFECTED.

2. INTERNATIONAL MECHANISMS TO FACILITATE SUCH ADJUSTMENTS ALREADY EXIST (E.G., IN IMF AND IBRD). IN ADDITION, THERE IS GENERAL AGREEMENT IN THE LOS CONFERENCE THAT THE CONVENTION SHOULD CONTAIN PROVISIONS FOR COMPENSATING LDC LAND-BASED PRODUCERS IN CASES OF SERIOUS INJURY. THE FUNDS FOR THIS PROGRAM SHOULD DERIVE FROM REVENUE SHARING RECEIPTS OF THE INTERNATIONAL SEABED AUTHORITY, AS THE DUTCH SEEM TO PROPOSE.

3. SEABED MINING REVENUES ARE LINKED MAINLY TO RECOVERY OF NICKEL FROM THE MANGANESE NODULES, WITH THE COPPER, MANGANESE AND COBALT CONTENT PROVIDING A SECONDARY INCOME SOURCE. WORLD NICKEL AND COPPER MARKETS ARE UNLIKELY TO BE ADVERSELY AFFECTED BY SEABED MINING. MANGANESE AND COBALT PRICES, HOWEVER, COULD BE DEPRESSED BECAUSE THOSE MARKETS ARE THIN, AND LARGE QUANTITIES OF THESE METALS, RELATIVE TO ANTICIPATED DEMAND, MAY BE PRODUCED FROM SEABED MINING.

4. THE GOZ IS AWARE OF THE POTENTIAL IMPACT OF SEABED MINING ON THEIR COBALT PRODUCTION (AS WELL AS THE NEGLIGIBLE IMPACT ON COPPER), AND THUS FAR HAS REFRAINED FROM DRAMATIZING THE ISSUE. WHATEVER THE PROSPECTIVE MODERATING INFLUENCE OF GOZ IN OAU OR G-77 CIRCLES, WE BELIEVE THAT ON BALANCE IT IS BEST NOT TO DISTURB ITS CURRENT LOW CONFIDENTIAL

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PROFILE IN THE LOS CONFERENCE FOR FEAR OF STIRRING UP MORE CONTROVERSY ABOUT THE EFFECTS OF SEABED MINING ON LAND-BASED PRODUCERS. ACCORDINGLY WE DO NOT NOW INTEND TO MAKE ANY SPECIAL APPROACH TO GOZ IN KINSHASA OR ELSEWHERE.

5. PLEASE CONVEY FOREGOING TO NOLAERD.

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